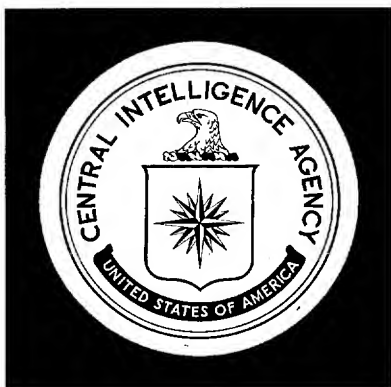


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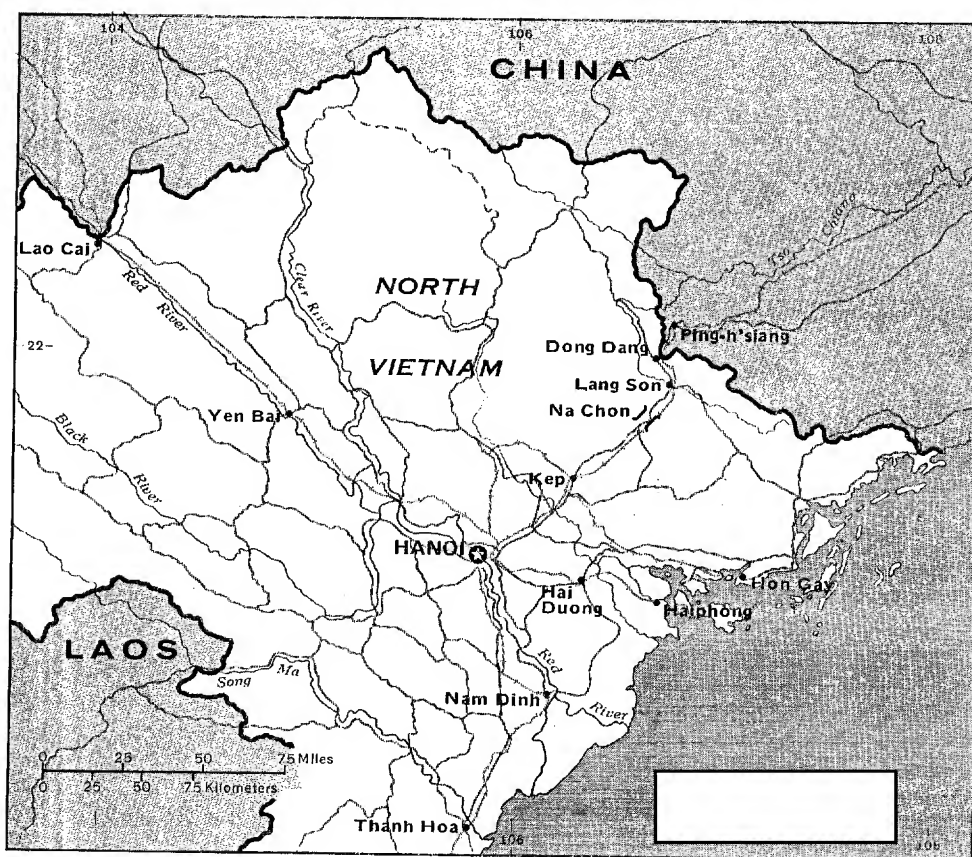
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VIETNAM: North Vietnam appears to be embarked on a major effort to ensure overland resupply from China.

Preliminary analysis of photography taken on 6 and 7 June shows trenching for a seven-mile pipeline between Ping-h'siang in China and Dong Dang in North Vietnam. Forty storage tanks are being added to the 50 now at Ping-h'siang, increasing storage capacity there to 3,600 tons. Pipe segments observed between Dong Dang and Kep indicate that the new construction is related to the previously observed construction to extend the Hanoi-Haiphong pipeline from Hai Duong to Kep.

* * * *

A North Vietnamese Foreign Ministry statement on 10 June reiterated the appeals for stronger international support that Hanoi has been making since the step-up of US bombing in mid-April. It asserted that the regime, while deeply grateful for previous assistance, "appeals to its brothers and friends in the world to struggle even more vigorously and in an even more timely manner to stay the bloody hands of the US imperialists."

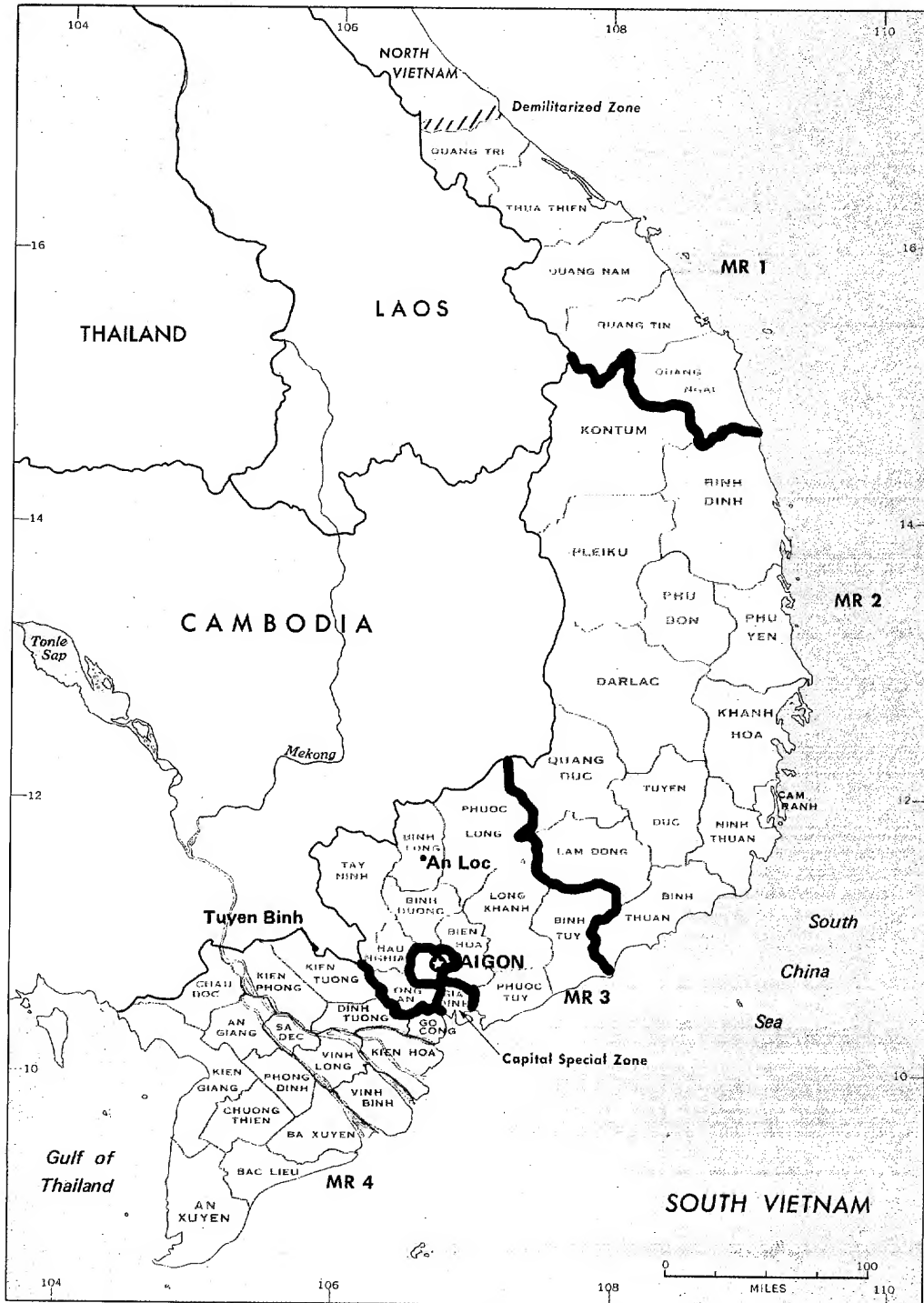
On 12 June, Peking issued a strong Foreign Ministry statement on Vietnam, apparently in response to Hanoi's latest appeal. The statement links bombing of areas "close to the Sino-Vietnamese borders" as a threat to Chinese security--a reference the Chinese have avoided since the allied incursion into Laos in March 1971. The statement also labels US military actions in North Vietnam "grave provocations against the Chinese people" and reiterates the "resolute support" of the Chinese people and government for Hanoi's cause, noting that "China and Vietnam are neighbors closely related like the lips and teeth"--formulations that Peking has employed--but rarely--within the past six months. The statement concludes by noting that

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"US imperialism should know that the heroic peoples of Vietnam and other Indochinese countries are by no means alone in their struggle." This phraseology has never previously appeared in Chinese expressions of support for North Vietnam.

This is Peking's strongest statement in support of Hanoi since the intensification of fighting in Vietnam, but it commits the Chinese to no particular course of action. They have clearly delimited the area of their primary concern to the Sino-Vietnamese border, while at the same time moving some way to assuage North Vietnamese feelings, publicly expressed in Hanoi's statement of 10 June. This Foreign Ministry statement, coupled with Peking's declaration at the UN environmental conference at Stockholm over the weekend, represents a general hardening of the public Chinese position on the fighting in Indochina. Peking's propaganda posture, nonetheless, still remains at a somewhat lower level than during the Laos incursion, considerably lower than in 1965 when operation Rolling Thunder first got under way, and generally neither overly provocative nor bellicose.

* * * *

Communist forces in South Vietnam are maintaining heavy pressure on government positions in the northern Mekong Delta area, particularly in Dinh Tuong and Kien Tuong provinces.

At An Loc, South Vietnamese Army troops have retaken the northwestern section of the city, leaving only one pocket of resistance within the town. At least two regiments of the Communist 9th Division--the 95C and the 272nd--have been confirmed as still operating in the An Loc area. Prisoners indicate that both have taken heavy casualties, and one captured on 9 June says his regiment--the 95C--has now received orders to "leave the area."

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Communist forces in the area around Saigon are planning to attack various targets in and around the city, including Tan Son Nhut air base during June in the hope of isolating the capital. Although the disposition of these forces suggests that they currently pose little direct threat to Saigon, small-scale actions such as road interdictions, terrorism, and shellings are well within their capabilities. Moreover, the enemy's attacks elsewhere in Military Region 3 have served to disrupt pacification and divert troops from the defense of Saigon, increasing the temptation for the Communists to try to harass the capital itself.

The government is aware of this situation and is taking steps to improve the capital's defenses. The National Police are augmenting police forces throughout the city and instituting more intensive screening procedures to prevent the infiltration of weapons and supplies. On the city's outskirts, Regional Force units are patrolling along known infiltration routes and in areas frequently used by the Communists for rocket attacks, and the regional units may soon take on a pacification role in order to strengthen government control in rural areas around Saigon.

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USSR - NORTH VIETNAM: Soviet President Podgorny will arrive in Hanoi on 14 June for a three-day visit,

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Moscow undoubtedly sees a need to reassure the North Vietnamese following the summit meeting. The Soviet decision to receive President Nixon after the mining of North Vietnam's ports did not go down well in Hanoi. The North Vietnamese will want to discuss ways of getting supplies through as well as the USSR's lukewarm endorsement of their current offensive. Soviet media coverage of this offensive has been even more sparse than that of previous offensives, and the Soviet readers have been given a fairly accurate picture of the problems Hanoi faces in pursuit of its goals. The North Vietnamese probably resent this veiled skepticism about their prospects and the USSR's repeated public statements that negotiations are the best way to resolve conflicts.

Under the circumstances, the visit is likely to be difficult. The Soviets will probably attempt to reassure the Vietnamese but will have trouble doing so effectively. The Soviets are likely to cite their efforts to secure Chinese cooperation regarding sea shipments to Hanoi as evidence that the USSR has not abandoned the Vietnamese, and they will probably be amenable to any North Vietnamese suggestions on new approaches to the Chinese to secure their cooperation in getting Soviet supplies to North Vietnam. At the same time, however, the Soviets are likely to reiterate their view that negotiations offer the Vietnamese as many advantages as fighting, and they probably will urge the Vietnamese to explore the latest US peace proposals.

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EUROPEAN COMMUNITIES: France's hard-nosed position on the preparations for the summit of the Ten next October has raised new doubts about how much a meeting is likely to achieve.

When Belgian Prime Minister Eyskens visited Paris earlier this month, President Pompidou publicly warned that France might be unwilling to host the summit unless Pompidou could be sure it would result in solid achievements. The warning was coupled with unusually brusque treatment of the Belgians. This apparently was intended to convince them and France's other present and prospective EC partners that Paris wants to avoid what the French feel are sterile debates over reform of community institutions and that Paris believes the summit should concentrate on progress in such areas as economic and monetary union. Pompidou also insisted that Paris be the site for any new secretariat for the community's political consultations.

France's attitude probably is motivated in part by internal political factors, including the disappointing results of the referendum in April and Pompidou's falling in popularity polls. Nevertheless, the posture also reflects traditional French negotiating tactics and chagrin that the British, in particular, have taken a more "community-minded" stance than the French had counted on.

The French argue that firm institutional structures should be avoided until experience has been gained in dealing with specific problems. They are loath to see any real strengthening of community institutions at this time. Location of the political secretariat in Paris, moreover, is intended to ensure that European cooperation will remain on two separate tracks--with economic integration in the

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Communities kept rigidly separate from foreign policy coordination in the mechanism for political consultation. In short, while France calls for a strong, independent Europe, it is unwilling to give it the requisite powers.

The other EC members and candidates have so far reacted calmly and with at least an initial show of firmness to what one British official has called Pompidou's "blustery tactics." Although most of France's partners may be willing to settle for only modest institutional improvements at the summit meeting itself, they believe that further movement toward economic integration has political and institutional consequences which must be faced.

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URUGUAY: President Bordaberry has reshuffled his cabinet to form a coalition government of Colorados and opposition Blancos.

On 9 June Bordaberry named Blancos as ministers of commerce, labor, and transportation. This announcement constitutes a significant victory for the president, who has been seeking a national accord with the Blancos since taking office on 1 March. Although the coalition does not include the largest Blanco faction, headed by Wilson Ferreira, the accord gives Bordaberry a slim legislative majority in return for his promise to move toward major reforms in agriculture, industry, banking, and education.

Meanwhile, the government continues to score unprecedented successes in its aggressive drive against the Tupamaros. During the past two months, combined police and military units have captured over 300 terrorists and seized important Tupamaro arms caches and strongholds. The effectiveness of Bordaberry's new coalition will be measured, however, by the fate of his draft security legislation, which is intended to replace the state of internal war that expires on 30 June. The president's security proposal has been the focus of major controversy between the Blancos and Colorados, and a compromise solution is currently being sought in the Congress.

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ZAIRE-CONGO-ANGOLA: A reconciliation in principle between the two major Angolan liberation movements, reached during a meeting last week in Brazzaville, is not likely to take on much substance.

The meeting, initiated by Congolese President Ngouabi, included Zaire President Mobutu Sese Seko and the presidents of the Brazzaville-supported Popular Movement for the Liberation of Angola (MPLA) and the Zaire-based Revolutionary Government of Angola in Exile (GRAE). The MPLA reluctantly agreed in principle to Mobutu's proposal that it move its political and military headquarters into Zaire and that it operate from there along with GRAE. The MPLA has operated out of Brazzaville and Zambia.

Mobutu, long distrustful of the Communist-oriented MPLA, rejected its request for free passage of men and equipment through his country. He emphasized that his government would restrict MPLA movements and would require detailed information regarding its plans and operations. [REDACTED]

[REDACTED] the participants agreed to ask the current session of the Organization of African Unity to appoint a commission to make specific recommendations for implementing the agreement.

A solid working agreement seems highly unlikely, however. Mutual distrust between the leadership of the two organizations runs strong. Moreover, Holden Roberto, the president of GRAE, still has not completely reasserted himself following a mutiny earlier this year by his military staff that was put down by Zairian troops. Roberto will not accept terms that might give the MPLA an opportunity to exploit his tenuous control over his organization. The MPLA is not likely to accept the strict conditions imposed by Mobutu.

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Only Mobutu and Ngouabi are likely to derive any benefit from this reconciliation attempt. Both leaders will use the meeting to enhance their images as African nationalists at the OAU, which itself is becoming increasingly frustrated with the disunity of African nationalist movements.

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BURMA: A sharp decline in government procurement may cut rice export earnings by about 50 percent this year.

Burma had a relatively good harvest this year, but the government is having its usual trouble buying rice. Farmers can earn up to 50 percent more selling rice on the black market. Sales to cooperatives, newly authorized by the government in a move to liberalize the rice trade, will probably not reduce black marketing since cooperatives are required to buy at the government price.

Rice exports may total only about 400,000 tons this year, compared with 880,000 tons last year when stocks were drawn down to meet export commitments. Rice stocks now are depleted, and Burma has had to refuse some customers for the first time in a number of years. Despite a slight improvement in world rice prices, the value of rice exports, Burma's major source of foreign exchange earnings, probably will fall to about half of the level of recent years.

Even with severe restrictions on imports, Rangoon's trade deficit probably will worsen this year, and foreign reserves will decline. Burma held only about \$52 million in foreign reserves in early May compared with about \$150 million two years ago. Rangoon is seeking loans from a number of countries and international organizations to finance necessary imports and to obtain development funds.

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JAPAN: The two-month old seamen's strike is beginning to affect the nation's foreign trade. The greatest effects were felt last week when the All Japanese Seamen's Union called for a seven-day total work stoppage on ocean-going ships. Until then the strike was primarily aimed at coastal shipping activity, although union members were boycotting night loading and unloading operations on ocean-going vessels. Workers also have been refusing to handle container ships and tankers. Although no trade data are yet available for May, the strike is causing a slowdown in Japanese shipments to the US and other markets and is interfering with the flow of imports. If a sustained work stoppage on ocean-going traffic occurs, the Japanese Government probably will place strong pressure on the union and shipping lines to reach some agreement.

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JAPAN: Enactment of legislation for the new economic program probably will be delayed until at least September because of the backlog of bills in the Diet, which ends its session Friday. Existing legislation, however, will allow the government to proceed with some parts of the program, such as the encouragement of orderly export marketing and the easing of import restrictions. Efforts to reduce foreign exchange holdings of \$16 billion will not be seriously hurt, in part because of earlier government measures liberalizing the outflow of capital. The delay will temporarily prevent the government from making direct loans to Japanese firms for developing overseas raw materials and from increasing the funds for Japan's Export-Import Bank. It also will affect plans for depositing an additional \$1.5 billion of foreign exchange in commercial banks.

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CAMBODIA--A Review of Post-election Prospects

Although the results of the presidential election on 4 June fell short of Lon Nol's expectations, the outcome appears to augur well for Cambodia's short-term political stability. The government engaged in just enough skulduggery to ensure Lon Nol's election, but it stopped short of manipulating the lopsided victory Lon Nol wanted but could not win honestly. The result is that opposition elements cannot make a strong case for foul play, the students are quiescent, and the election has received favorable treatment in the international press. Moreover, Lon Nol's claim to legitimacy is enhanced. He can now counter Sihanouk's assertion that the royal government was illegally deposed by citing victory in an open and honest election as the legal basis for his rule.

On the other hand, the narrowness of his victory exposes the fragility of Lon Nol's hold on the Cambodian people. In Cambodia, [REDACTED]

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[REDACTED] Lon Nol's 55 percent of the vote comes close to being a repudiation. In the populous and politically sophisticated Phnom Penh area, Lon Nol ran well behind his chief challenger, In Tam. Lon Nol almost certainly did poorly among the country's students and intellectuals, who have been particularly upset over his authoritarian style and over his failure to crack down on widespread corruption in the government and armed forces. He lost the votes of many civil servants and even some foot soldiers who have been hit hard by rising prices. Primarily, however, Lon Nol has been vulnerable to the complaints of Cambodians in all walks of life that he is responsible for the war and for the government's failure to defeat the Communists and end the fighting.

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Many Cambodians obviously are drawing invidious comparisons between conditions under Lon Nol and those under Sihanouk. This is demonstrated by the remarkable 21 percent of the vote won by Keo An, a political nonentity who had no money and did little campaigning. Keo An's main attraction was his promise to allow Sihanouk to return to Cambodia. The significance of his showing will not be lost on Khmer Communists, who continue to exploit the Prince's name for their own ends. At the same time, this also serves to harden the determination of Lon Nol and others not to accept any settlement with the Communists calling for Sihanouk's return.

The election also has further enhanced the political power of the military. Until recently, the country's senior military leaders have eschewed national-level politics. In this election, however, they openly campaigned for Lon Nol, and if it had not been for the large military vote they delivered, Lon Nol might have been forced into an embarrassing runoff election, or even been defeated. As a result, Lon Nol is now more dependent on the support of his military colleagues. In addition, the generals' statements critical of In Tam during the campaign indicate that they intend to exercise a veto over who rules Cambodia after Lon Nol is gone.

With the military solidly behind Lon Nol, the prospects for political stability in the short run appear good. Significant battlefield defeats could cause the military once again to question Lon Nol's leadership, but major reverses are not expected in the next four months or so. The rainy season will impair the Communists' mobility, and North Vietnamese main force units will most likely either remain preoccupied in South Vietnam, or will be in no condition to undertake a major offensive in Cambodia.

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[REDACTED] Lon Nol's choice of a vice-president assumes considerable importance. In the event Lon Nol has a second, possibly fatal, stroke, whoever holds that office will have an edge over any rival claimant for power. Lon Nol has not indicated whom he intends to appoint as his deputy. Prior to the election he offered the post to Sirik Matak, who turned it down, in part because he mistrusts the reliability of Lon Nol's support for him. However, in view of Matak's evident desire to remain in politics, he may reconsider if Lon Nol renews the offer. Matak seems to have more support among the military than any other successor now on the horizon and, if he were vice-president [REDACTED]

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[REDACTED] he would stand a good chance of taking over. First Minister Son Ngoc Thanh is another possibility, but he is closely associated with the South Vietnamese, and it is doubtful that he has the adroitness and forcefulness to whip his opponents into line. In Tam, who would command support among civilian elements in Phnom Penh, is apparently unacceptable to the military, and the military itself may put forth someone like Defense Minister Sak Sutsakhan as a candidate. At this juncture, however, events have not reached a point where the principal actors themselves have thought through the possibilities. [REDACTED]

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